

# Perceived Quality - An Empirical Testing of Marketing Theories: A Case Study on the Imported Baby Foods Market in Bulgaria

International Business

Master's thesis

Iivo Stojanov

2012

Department of Management and International Business  
Aalto University  
School of Business

## Abstract

Quality has been an important focus for researchers across the marketing field. In more recent years, studies have moved from only examining the objective physical attributes of products and services, to attempting to understand how the subjective perception of quality by the consumers is formed and how it affects their behavior in the market. Their perception is not only affected by the products physical and visual attributes, but by a variety of issues such as situational factors, personal attributes and ultimately culture.

In examining the relationship between the concept of quality perception and culture, previous studies have been mainly focused on the far ends of the cultural spectrum, where nations without strong cultural drivers have been left out. Additionally, previous research suggests that a particular nation's culture does not make large fluctuations in relation to others even in the long-run, which has not been studied for transitional economies in Eastern-Europe.

Ultimately this study finds that the cultural factors identified by previous research as well as their relevance to quality perception are evident. However, there can also be evidenced a clear evolvement of these factors, which has not been taken into consideration in earlier studies. The findings for the imported baby foods market, bring out important issues concerning the perception of quality in the Bulgarian market, which may be utilized by a variety of imported goods and their marketing.

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# **1. INTRODUCTION**

## **1.1 Background to the Issue**

Following the historic events in the late 80's, previously communistic East-European nations were giving up on the centrally planned, economically suppressed system, and were welcoming one affected by the markets. Consumption was previously directed through centrally planned retailing along the lines of Marxist views where middlemen were viewed as parasitic, distribution channels a social waste and wholesalers as provoking anarchy through their profiteering goals. Ultimately the behavior of consumption was fundamentally changed. This was not limited to the political and economic changes which transition brought, but also gradually increased the availability and diversification of products and services, as well as gave the nationals a freedom of choice to behave as they saw fit as consumers. (Mueller & Broderick, 1995)

Furthermore where the previous planned economy concentrated on the supply of affordable and undifferentiated products, the market economy had brought not only a larger variety but also increased quality. This phenomenon was especially visible in the food industry. Under the communist regime, competition in the food industry was limited and controlled, thus resulting in a very limited variety in quality and output variety. Retailing had also been centrally planned, every shop being given geographical monopolies while being highly specialized, for instance butcher shop, fruit and vegetable vendor, etc. Ultimately making shopping very category-clustered.(Mueller & Broderick, 1995)

The beginning of the open-market economy gave way for a Western-like retailing system, the market being slowly entered by large international retailers. Hungary and the Czech rep., from the Eastern-bloc nations were relatively quick to adopt the privatization of the food industry and welcome the entry of foreign players, perhaps due

to their geographical proximity to economically developed nations. (Mueller & Broderick, 1995)

In some nations however, the transformation was not as quick as in others. For example in Bulgaria, following economic liberation, initially, retailing did not take a step towards the Western-model of large multi-categorical supermarkets, but rather small ‘corner-shops’ were being found in for instance street-level garages to accommodate competition. Retailing remained clustered, and the first supermarket chains did not enter the market until the late year 2000. (Billa, 2012). This was due to issues such as lack of private financing, slower adoption of reforms, and geographical distance from possible foreign investors. Even though Bulgarian privatization was advancing slower than in other Eastern-bloc countries, initial studies showed that Bulgarian consumers, more than their neighboring counterparts, preferred the privately owned retail shops due to the provided product variety and quality as well as the superior service, despite the fact that prices were comparatively higher. (Mueller & Broderick, 1995)

The behavioral changes in Eastern-European post-communist consumers through transition from centrally planned to free market economy are clearly evident. From near to none freedom of choice, to a rapidly increasing saturation of market choice, the consumers are being pushed into transforming not only economically but socially. In countries like Bulgaria, where this retailing transformation has only recently left its infancy, the changes in consumer behavior should be seen most vividly.

## **1.2 Research Question and Objectives**

As a transitional economy, the Bulgarian market has changed dramatically over the last three decades. As imported products are increasing in supply and variety, it is important to understand what works and what doesn’t for the Bulgarian consumer. Therefore the

objective of this paper is to examine how previous research on quality perception through cultural motivations corresponds with empirical findings on the behavior of consumers in an East-European nation towards an importer product, of high subjective quality and pricing.

The research question at hand will therefore be:

*As a culturally motivated participant in the market, does the Bulgarian consumer follow theoretically assumed trends when evaluating quality for imported luxury products?*

# 1. LITERATURE REVIEW

## 2.1 Quality

Improving the understanding of quality has always been a goal for marketers and engineers alike. By some academics it is considered a higher level abstraction which cannot be quantified, others see quality as a mechanical superiority which can always be calculated. Nevertheless, for this research, the theory used will focus on how quality is perceived, not on the actual physical attributes which differentiate products one from another. History is full of examples where identical products are preferred over each other only by the way they are presented, such as for instance various taste tests between Pepsi and Coca-Cola resulting in consumers not being able to see the difference.

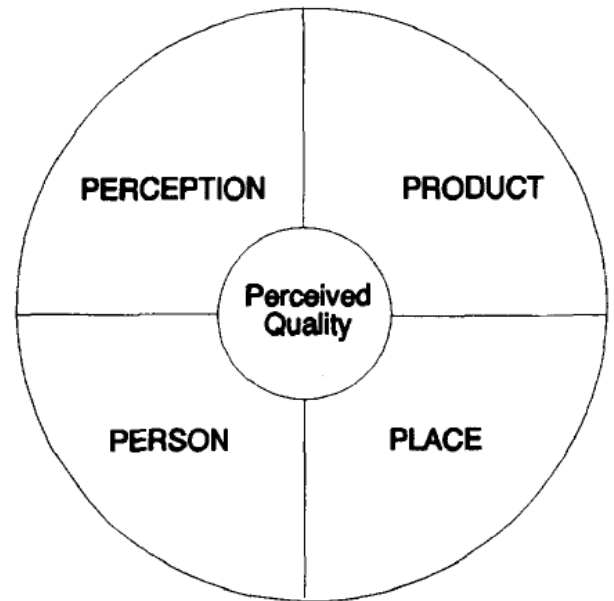
### 2.1.1 Perceptions of Quality

The perception of quality can be considered one of the core determinants to consumer behavior and thus product success. An attribute without which even the most efficient marketing efforts cannot succeed, making understanding it critical in creating value to the customers and ultimately achieving comparative advantage in an ever-growing market. However as Valarie Zeithaml explores in her study, the concept of quality perception and its relation to price and value haven't resulted into viable and unified results. One of the core reasons for the variations in the results of the studies has been the inability to find accurate and dependable descriptions of the concepts as well as various methodological inconsistencies.

Zeithaml's approach to understanding quality perception is referred to as an *objective quality approach* which attempts to find measurable and verifiable data on predefined standards. Other authors have attempted to take a more philosophical attitude towards

quality, describing it as an attribute which cannot be analyzed, but only acknowledged through experience. Researchers such as Ophuis and Van Trijp have taken a standpoint in between these two polarities with their *perceived quality approach* which attempts to examine quality through the consumer's personal judgment.

In their article *Perceived Quality: A Market Driven and Consumer Oriented approach*, Ophuis and Trijp (1995) examine quality perception in the foods market environment, making their findings directly relative to this study. As a fundamental concept to their research, they present the *quality quadrant* (Figure 2.4.1.1) representing the four attributes affecting perceived quality: the *perception* process, the *product* or product group, the *place/context/situational* factors, and finally the *person* or personal factors.

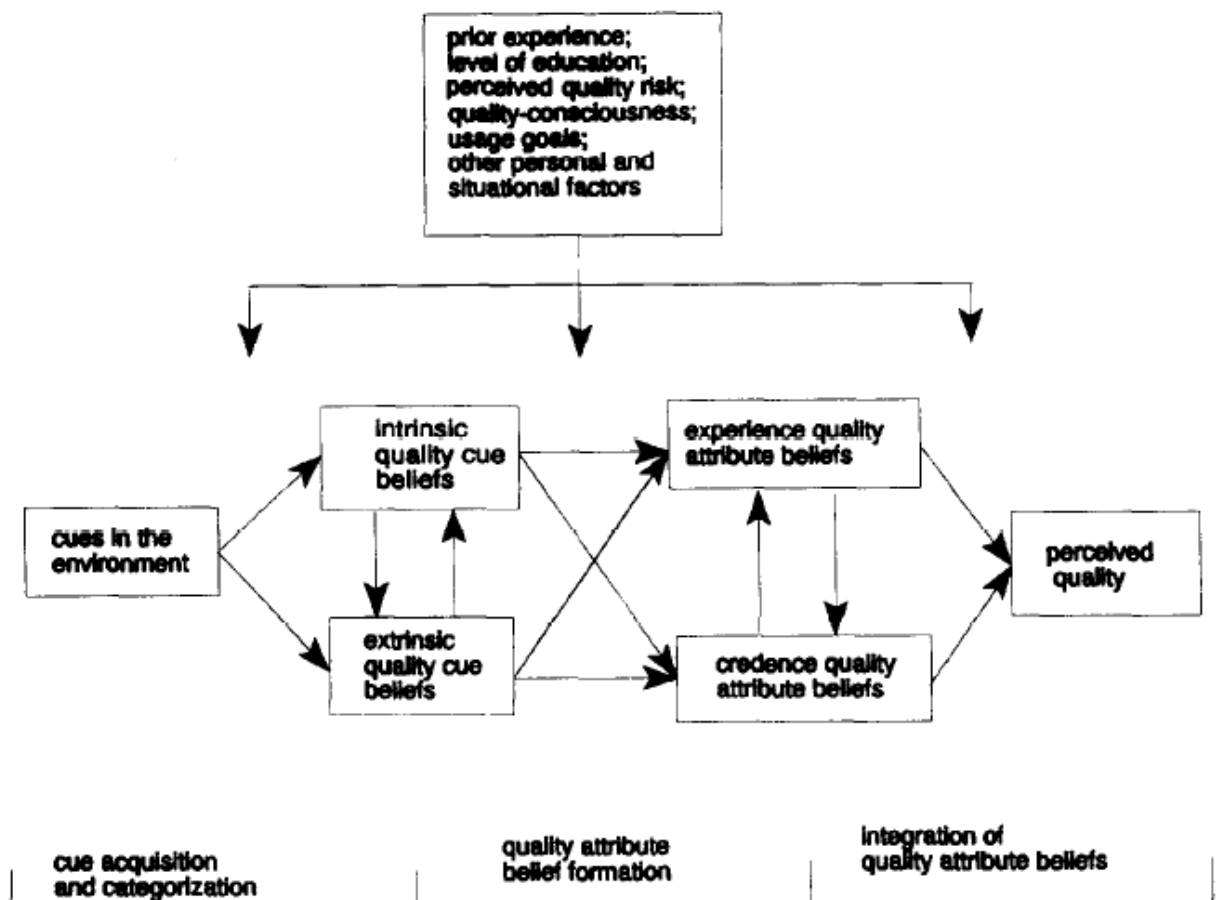


**Figure 2.1.1.1 (Ophuis & Trijp, 1995)**

With *product*, the researchers refer to the finding that quality perception is dependent on the examined item to the extent to which a quality factor identified in one product or product group may be irrelevant for another. Similarly a strong dependency on perception is said to be present in the background of the viewer. It is suggested that this may enclose a variety of characteristics ultimately resulting in the final judgment of the consumer, such as perceptive abilities, general preferences, experience, etc. With the third variable, *place*, the authors refer to situational factors, such as for instance the use of the product, where a product may be perceived as good for one thing, but useless for another. (Ophuis and Trijp, 1995)

The final element presented by Ophuis and Trijp is perception. With it, the authors refer to the process of perceiving the visible and invisible characteristics of a product which can be experienced or believed to be experienced. The process of ultimately perceiving quality is a combination of a variety of different variables. The following diagram





**Figure 2.1.1.2 (Ophuis & Trijp, 1995)**

(Figure 2.4.1.2) depicts the conceptual model presented by Steenkamp (1989, 1990) explaining these dependencies in the quality perception process.

On the left axis of the model are situated the quality cues which consumers sense about a product, before the actual consumption takes place. These cues are classified as either intrinsic or extrinsic. Valarie Zeithaml uses previous studies by Olson and Jacoby (1972) to explain these two classifications and their relevance in understanding the perception of quality.

Intrinsic quality is used to explain the product traits which refer to the internal, physical quality of the experienced product. Extrinsic quality on the other hand refers to the external elements attributed to the perception of quality, which are related to the

product, but not physically part of it. These are said to include features such as brand, price and advertising, which together affect the way consumers may or may not view quality without actually experiencing it. One of the propositions of Zeithaml's research concerning intrinsic quality is that it is generally product specific and standardization is only possible in the general dimensions of quality. An example is given where while high pulp is considered a measure of quality in orange juice, in apple juice it is a symbol of impurity. All in all this relates to the fact that even though similar products may contain similar quality attributes, the weight on them by consumers can vary greatly and thus it can be suggested that intrinsic quality attributes must be studied product specifically.

Even though intrinsic attributes arguably give a more realistic experience of a product's quality extrinsic are not without their relevance. For products or services, where information on intrinsic attributes is not available, extrinsic cues play a starring role for quality perception. In her research review Zeithaml explains how extrinsic information portrays a variety of quality attributes. The amount invested into advertisement for instance symbolizes the confidence that companies have of their own products or services, and is shown to be a strong cue for product quality. Similarly brands are considered as bundles of a variety of information which relate to the image that consumers have of the products from a certain source. From the variety of extrinsic messages of products, it is said that price is the strongest one. Where, when intrinsic cues are not available price is used to deduce product quality. (Zeithaml, 1988)

The next important findings by Zeithaml are related to the comparative importance of extrinsic and intrinsic attributes contributing to the quality perception and thus ultimately purchasing decision. She defines that depending on the conditions under which decisions are made, the different attributes become more important. Her findings are that intrinsic cues outweigh extrinsic ones at the point of consumption, when the intrinsic ones can be predicted, or when the intrinsic attributes are search attributes (ie. can be defined without experiencing the product). On the other hand, extrinsic attributes become more important in first purchase situations when intrinsic cues are not available, when the finding of intrinsic information is not worthwhile, when quality in general is difficult to evaluate. In other words, in a purchase situation, a consumer who cannot get

a taste of the intrinsic quality of a product relies mainly on the extrinsic cues such as brand, advertisement, and price. (Zeithaml, 1988)

The importance of understanding the influence that brands have on the perceiving of quality and the behavior of the consumers in the studied market cannot be overstated. As Solomon et al. (2009) explain, brands are not only what the marketers want to portray as an image of a product, but foremost a ‘vehicle of meaning’ for which the consumers themselves generate a connotation. In other words, the meaning of a brand is finally decided by the consumers themselves, after having experienced it. Furthermore, it is explained that we as consumers sometimes form bonds with brands and that we attempt to find some relationship with our identity to that of the brand.

Brands are expected to have a great influence on the understanding of quality for the purpose of this research. It can be suggested that imported Western brands have a certain image for a recently opened market economy. Solomon et al. (2009) explain that Western brands and thus symbols have been related to a high level of sophistication. Thus we can assume that for a consumer having lived in a closed communist market, they portray also a meaning of superiority in at least most categories of quality. For ready food products this may include a variety of issues ranging from taste to safety of the product. However, as mentioned by Solomon et al. a brand’s meaning is ultimately formed in the consumer’s mind depending on his/her own experiences of the product of service. This suggests that the study of brands must concentrate not only on the initial perceptions that a brand portrays of the quality but also on how this meaning has developed throughout the consumer experience and what effects it has on future purchasing decisions.

What makes extrinsic quality cues additionally interesting for marketers is that they can be edited without the need to change the physical attributes of the product. Producers may change their marketing tactics, invest more into advertisement, change packaging, etc. However, commonly creating strong and effective extrinsic cues for a product such as a trusted brand name is considerably more difficult than altering the product itself. Nevertheless in situations where competitive products are very similar in physical appearance, extrinsic cues play a more central role. (Ophuis and Van Trijp, 1995)

Moving to the right on the model presented by Ophuis and Van Trijp (1995), Steenkamp (1989, 1990) relocates from cues prior to consumption to *quality attributes* that bring value to the customers and cannot be perceived before consumption. In his research, Steenkamp suggests that consumer judgment is ultimately a result of the perception of these quality attributes. The presented quality attributes are further divided into experience quality attributes and credence quality attributes. The defining difference between them being that the effect of experience attributes may be felt immediately after or even during consumption, while the latter cannot be. (Ophuis and Trijp, 1995)

An important finding mentioned by Ophuis and Trijp (1995) is that the most important experience attribute for food products is taste, which is dependent on a sensation by the consumer which can ultimately be quite abstract. Nevertheless, research has also shown that even though taste plays a central role in perceiving experienced quality, there has been evidence of relevance of extrinsic cues as well. In some situations a food product that looked ‘better’ or ‘fresher’ was said to have tasted better as well.

Albeit credence quality attributes cannot be experienced immediately upon consumption they are still important attributes defining quality perception for consumers. Especially in the case of food products, elements such as low-fat, nutritional value, organic production, and such do not have an immediate effect, but instead a long-term benefit which cannot be measured by the consumer. Nonetheless, research has shown that once again extrinsic cues suggesting high credence quality have had an effect even on the perceived taste of the product. (Ophuis and Van Trijp, 1995)

To understand the different ways that quality is perceived, researchers have distinguished between objective quality and perceived quality. Objective quality is also referred to as mechanistic quality, where the characteristics or features of a product or service on the market are examined through objective criteria. In this sense however, the expression of ‘objective quality’ may be misleading, as the evaluative methods have shown to vary greatly. Some researchers view this mechanistic quality being for instance technical superiority, or a sum of specific product attributes. (Zeithaml, 1988)

Humanistic or perceived quality on the other hand is subjectively examined by different audiences, being highly dependent on issues such as the extrinsic attributes of the product, or the attitudes of the consumers, ultimately resulting into highly fluctuating results. (Zeithaml, 1988)

To better understand, standardize and objectively study quality, various industrial ratings have often been used. However the accuracies of their measures have been strongly debated. Where many products may be defined as technically superior in a certain aspects, they might not be valued as highly by the consumers, since ultimately all quality is perceived and experienced subjectively in one way or another. (Zeithaml, 1988)

In her study, Zeithaml also explains how previous researchers have further differentiated quality into affective and cognitive quality. Where the former relates closely to perceived quality and an overall attitude, while the latter to the general experience that consumers have of the product or service examined. Thus, cognitive judgment is more used for products which can be measured comparatively better before purchase. The studies continue that services and non-durable consumer products are commonly evaluated through affective quality, or similarly through the quality perceptive attitude towards the product.

### **2.1.2 Quality and Culture**

Hofstede's cultural dimensions have been the cornerstone for systematically studying cultural differences and their effect on various marketing purposes. A study by Furrer, Liu and Sudharshan (2000) has argued that along the cultural dimensions presented, different ethnic groups perceive quality in services differently. In an ever internationalizing global market, service and goods producers are put upon pressure to decide between standardization, which results in cost reductions through economies of scale or localized adaptation based on preferences defined by geographic, demographic, historical or other characteristics. Even though some products are globally standardized,

market segmentation has become a necessary marketing tool for almost all international businesses. To successfully facilitate the segmentation process, it is necessary to understand the underlying factors which make the culturally diverse customers ultimately demand different things. (Furrer et al., 2000)

Even though the studies by Furrer et al.(2000) are focused on the relationship of culture to service instead of product quality perception, their findings on some of the cultural dimensions are relevant to understanding how these differences affect the general perception of consumers. (Furrer et al., 2000)

In highly individualistic cultures where consumers are self-centered, self-responsible and pushed to be efficient by their surroundings, they also expect the same from the services, and thus logically products they procure. Therefore it can be said that in individualistic cultures, consumers expect and demand high quality. Furthermore, the findings in the study have found support that in these cultures, due to the general self-reliance, consumers do not look for assurance from the producers. (Furrer et al., 2000)

Long-term orientation was another dimension which had important and usable findings. In long-term oriented cultures, reliability was valued greatly. This may suggest that in these environments, consumers look for procurement of reliable products and services, as it is the foundation of a long-term relationship. Additionally in these cultures, the findings suggest that assurance was not valued greatly. (Furrer et al., 2000)

### **2.1.3 Quality and Region of Origin**

As this study focuses on the perception of quality of an imported good, understanding the relationship between quality and region of origin is central to the issue. Various studies have demonstrated that even in identical products, their origin, be it national, regional or continental has influenced the way they have been evaluated. As the previously examined quality perception models presented by Zeithaml (1988) and Steenkamp (1990) explain that extrinsic cues affect quality perception in a variety of ways, region of origin can be considered as an extrinsic cue reflecting a certain image in

customers, similar to for instance an effective branding strategy. Additionally, in comparison to the introduction or development of a new brand, consumers already have some association with specific regions and thus the lengthy and difficult process of effective brand creation can be evaded. (Ittersum, Candel, Meulenberg, 2003)

Ittersum et al.(2003) explain that to effectively benefit from origin based product image creation, the most important element is that the product and region match successfully. For instance sparkling wines and the French region of Champagne can be thought of as an effective image creating match between the two. Without an appropriate match, effect may lack or in the worst case bring negative image to the product.

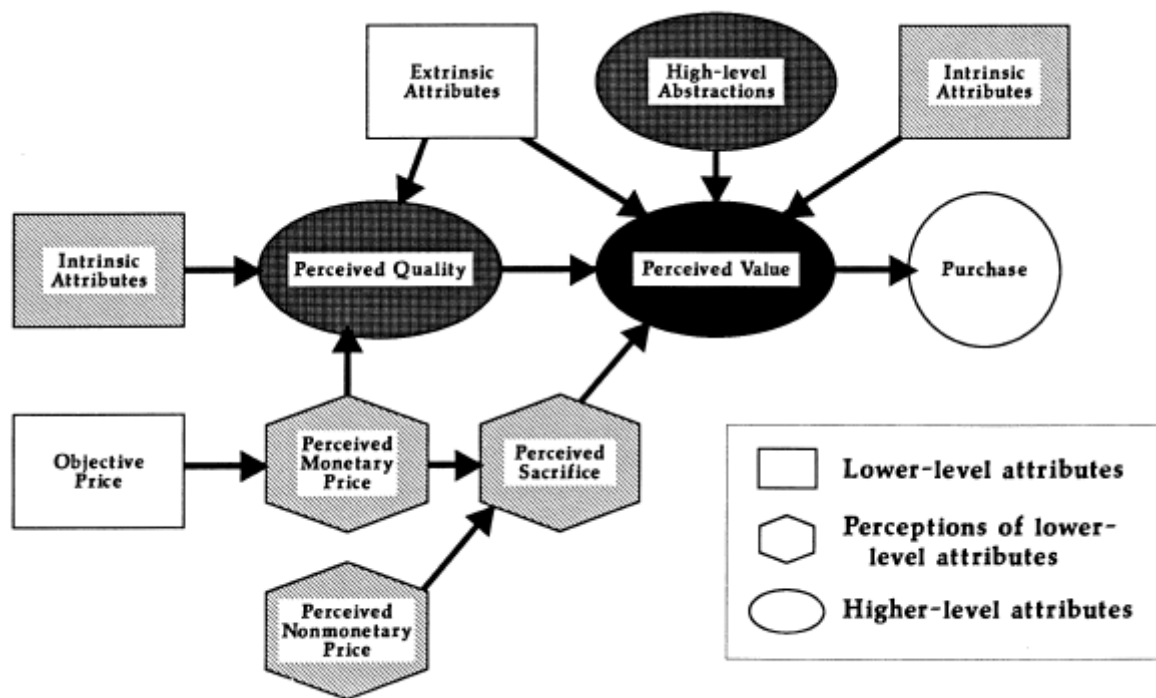
The research by Ittersum et al. (2003) studies and empirically tests several findings which are important for understanding the effect of region-of-origin to product image. Firstly, as previously mentioned, they specify that region of origin is product specific. For instance vegetables from a tropical country may be a good match, where a high value added technical product may not portray a similar image due to the lack of infrastructure that we imagine there to exists. This relates to their second finding, important for this research: they divide the region-of-origin attributes between human factors and environmental factors. Examples of these could be infrastructure for the former and climate for the latter. The findings support that for food products with value added, the importance of the human factor on perception was relevant. Whereas for products with less value added, in this case potatoes, more importance was put upon the environmental factors of region-of-origin. (Ittersum et al, 2003)

All in all, findings on the importance of origin on product image support that the relationship, especially for small and medium sized enterprises, is rather important and may be used as a powerful marketing tool.

#### **2.1.4 From Quality to Value to Price**

In her research Zeithaml presents the *Means-End Model* on Price, Quality and Value accompanying the factors which she has found relevant to the research. Similarly to the

previously presented conceptual model by Steenkamp, it depicts the relationships of a variety of attributes to the perceived quality by consumers. The diagram takes the relationships further by depicting not only *perceived quality* but also *perceived value* which results to the final purchasing decision. The two differ mainly on two fronts. First of all perceived value is dependent on high-level abstractions being more individualistic and dependent on personal attributes. Secondly, value is considered as a tradeoff, where the benefits of the product are weighted against the costs resulting from purchasing or using it. Quality is however not the only benefit that consumers get from their procurement decision, but factors such as for instance *prestige* are also mentioned as possible benefits. (Zeithaml, 1988)



**Figure 2.1.4.1 (Zeithaml, 1988)**

As the diagram depicts, perceived value is a tradeoff between benefits and costs. Relationships are not only evident from the quality, and both extrinsic and intrinsic attributes which can be considered as benefits, but also from cost of perceived sacrifice. The means-end model presents how the perceived sacrifice is formed from the subjective, individualistic perception of objective price, as well as from a variety of



nonmonetary costs. These have been found to include *time* costs, *search* costs and *psychic* costs, which together explain the convenience of a specific purchase decision. (Zeithaml, 1988)

The research explains that the objective price of products is decoded by consumers to form the *perceived monetary price*, which is in its entirety a different attribute. Where the objective price is a unit, which is rarely recalled by consumers, the *perceived monetary price* can be the concept of a ‘cheap’ or ‘expensive’ which stays in the public’s mind for long. The findings are expanded further by explaining how even though price gives a strong message on which consumers may depend in situations where other cues are not available, empirical research shows that in most cases price is not considered an important factor by consumers. Furthermore findings differ greatly between demographic and product groups. For instance more attention is given onto price when dealing with highly priced packaged goods as well as durable goods instead of cheap consumables. All in all evidence in previous research shows several factors which affect using price as an indicator for quality: availability of other cues, price variation within the product class, price awareness in the market’s consumers and the consumers’ ability to detect quality variations within the product group. (Zeithaml, 1988)

## 2.2 Price

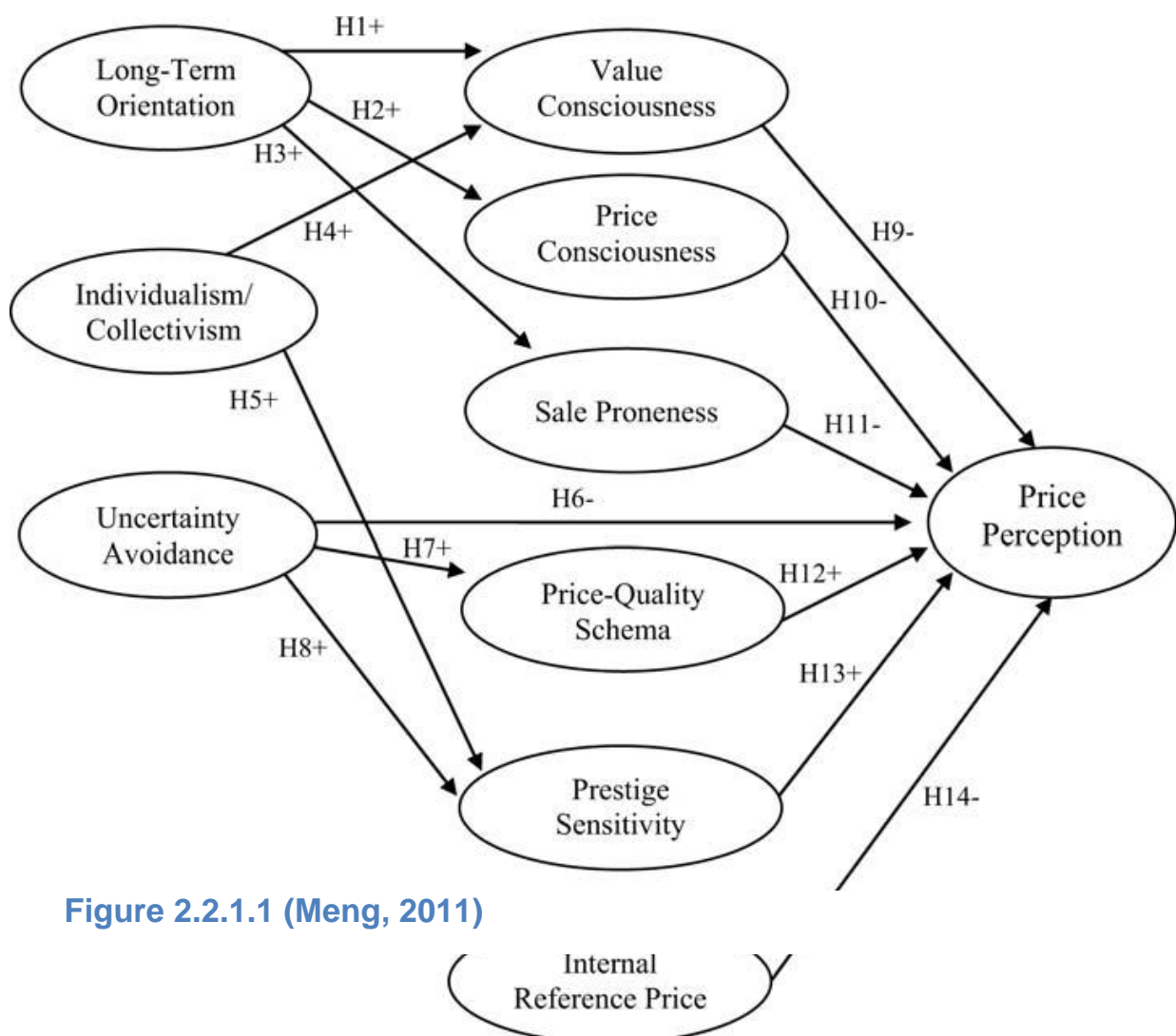
Being one of the few extrinsic attributes signaling a product's quality before the actual experience, price can be thought to be one of the underlying factors for defining how quality is being perceived. Findings have shown that price does not always symbolize absolute superior quality (Zeithaml, 1988), for example some consumables may be more expensive than others merely due to their high production costs because of their location of production ex. vegetables grown in Finland. However, especially for durable goods and even more globally standardized goods and brands, price is a strong indicator of for instance R&D and production costs which are often considered as resulting into superior quality.(Solomon et al., 2009) Pricing of products is shown to also have a heavy implication on perceived quality, especially when consumers don't have information through experience on the intrinsic quality of a specific product. Furthermore, especially when a brand is unknown to consumers or when the risk of making a poor purchasing decision, price is a leading cue for high quality products. (Zeithaml,1988) Therefore considering price perception in this study is essential. Additionally and most importantly, previous studies have found that price perception is dependent on various cultural characteristics. (Meng, 2011)

### 2.2.1 Studies on Cultural Influences on Price Perception

In her studies, Juan Meng defines price perception to be studied under two research streams. The first one is to simply examine whether or not cultural differences affect price perception. Multiple studies have found that there are in fact differences. The second stream that Meng refers to uses a price perception model presented by Lichtenstein et al. (1993), which gives price perception a multidimensionality through seven constructs that have a positive or negative effect on behavior: value

consciousness, coupon proneness, price consciousness, sales proneness, price mavenism, price-quality schema and prestige sensitivity. The model (Figure 2.2.1.1) has been found to exist in all cultures, but with varied results on the correlation among factors, further supporting the first research stream that cultural differences in fact do affect price perception. (Meng, 2011)

As Juan Meng (2011) explains, it is not enough to understand how consumers in specific cultures perceive price through the presented model, since it cannot be



generalized across studies. Rather one should concentrate on why price perception varies. Therefore in her study, Meng attempts to answer this question by testing how the cultural dimensions presented by Hofstede (1980, 2001) correlate with the price perception factors, in the context of a single model. Out of the five cultural dimensions

presented by Hofstede (1980, 2001) Meng has used only three which she has found to be relevant for the research of price perception: Confucian Dynamism (Long-term orientation), uncertainty avoidance and individualism/collectivism.

To facilitate her empirical research, Meng then implements the selected cultural dimensions into the previously proposed *price perception model* (Figure 2.2.1.1) creating a hypothetical model based on the theory to be tested in practice.

Through the process of hypothesis testing, Meng came upon several interesting findings. First of all, and highly applicable for the empirical part of this research is the relevance of this hypothesis to the product group considered. Meng's empirical research was divided into two products: CD players and McDonald's meals. Her findings concluded that the cultural factors in her hypothetical model were more relevant for non-durable good purchases than durable goods purchases. Additionally, as suggested by previous theory, service-products are more culturally dependent than mere goods.

First of all, the findings suggested that consumers in long-term oriented cultures were more concerned in the holistic value of the item. This means that they pay more attention to what they have to give and what they receive for and from an item and thus are prone to make more of an effort to achieve the same result by paying less, by for instance following sales or searching for the same product or service from various sources. The findings are quite logical and appear to follow the idea that in long-term oriented cultures, consumers are focused on the future, rather than on current satisfaction of needs.

Secondly, Meng's findings suggested that the individualism/collectivism factor also has significant effects on consumer behavior. Consumers from collectivistic cultures were seen to have a single consensual understanding of value, thus proposing that in these culture consumers viewed the actual value of a product or service as the most important element. Whereas within individualistic cultures, as suggested by the terminology, consumers are mostly concerned with fulfilling their personal needs that may be a variety of things, for instance monetary values,

The final cultural factor considered was uncertainty avoidance, which just as the previous ones was found to be highly influential on price perception dimensions. Meng's empirical research found that consumers in cultures with high uncertainty avoidance, who do not prefer risk, put more importance onto price when evaluating the quality of a product, as a method to reduce the unwanted risk of purchasing a product of inferior quality. Meng calls this relationship between price and quality the price-quality schema. Contrary to her expectations, Meng's research found that high uncertainty avoidance had an opposite relationship with prestige sensitivity. In other words, high price would reduce risk of making a bad purchasing decision, but a better brand would increase it. As Meng herself explains, this might be an error in her empirical methodology.

Uncertainty avoidance was also found to have an increasing importance on purchasing decisions and price perception when the issue concerns non-durable goods. This was thought to be since unlike durable goods, non-durable goods do not have as much physical attributes on which consumers can make an objective value decision. Thus, when purchasing services or non-durable goods, consumers put a larger relevance on price, and are more affected by their uncertainty avoidance.

To finalize her study, Meng explains that one of the most important findings of her research is the difference between durable and non-durable products. She explains that her research suggests that for durable products, one must concentrate on the improving of the physical attributes and the benefits that they bring to a customer. Whereas for non-durable products, the cultural background of the consumers affects their decision making to such an extent that pricing strategies should be made with this in mind.

However, as with almost all such cultural researches, there is a tendency for them to be conducted in the far ends of the cultural spectrum, ie. between the USA and China. Even though the study is used to create a model which should be applicable throughout the field, rarely studies are done outside these two cultures.

## 2.3 Understanding Cultural characteristics

Geert Hofstede's studies are most likely the best tools, for understanding and systematically analyzing cultural differences in the global business environment. His studies presented in 1980, founded on 116,000 surveys in over 70 countries, have changed the way culture has been studied and understood by the academic world. Due to the perceived complexity of culture as a concept, studies before Hofstede's had concluded that it is impossible to find a systematic way to study the idea and therefore culture had been left as a variable which explained all statistical differences. (Hofstede & Minkov, 2011)

Hofstede's studies gave birth to the initial four cultural dimensions. The author describes the dimensions to be constructed in a way in which they portray basic problems that different societies face.

The first, *power distance* is a dimension addressing social inequality, relating to and being studied through the relationship that members of culture have with authority, and how this relationship and social inequalities are perceived.

The second dimension, *Individualism-collectivism*, reflects the relationship between the individual and the group, where important factors such as reliance and responsibility play an important role. In a sense the dimension reflects the level of interdependence that members of a society experience.

*Masculinity-Femininity* is another factor, which Hofstede explains as the social or emotional implications of being born a girl or a boy in a specific culture. Besides the obvious global differences of being born either sex, Hofstede goes deeper into the issue explaining how masculinity or femininity affects the way people think on a larger scale. Masculinity is seen as a trait emphasizing ambition, wealth and differentiated gender roles, and in contrast femininity emphasizes for instance caring, relationships, equality and general quality of life.

The last dimension presented by Hofstede in his initial findings is *uncertainty avoidance*. Hofstede explains this dimension as "the extent to which the members of a

culture feel threatened by ambiguous or unknown situations”. The fundamental idea being the understanding of how a culture deals with the unknown future: should one follow strict predefined rules in order to control the future, or instead take a more relaxed attitude and ‘see what happens’.

Later in his works, Hofstede presents a fifth dimension called *long-term versus short-term orientation*. It addresses the issue of culturally motivated efforts, be it on the future or the present and past.

One of the identities that Hofstede (2011) defines for his doctrine of cultural dimensions is that they represent ‘stable national differences’, suggesting and arguing against critics that even though the gathered data is historically old, it is not outdated. He explains that cultures do not change, but evolve in a common cultural direction, and therefore the relative differences ultimately remain untouched. Studies by Inglehart (2008) are presented as support for this argument, exposing that for a period of 36 years between 1970 and 2006 western cultures had evolved but their paths never crossed. (Hofstede, 2011)

## 2.4 Cultural Characteristics and Bulgaria

As covered in the previous section Hofstede’s confidence in the reliability and timelessness of his findings on cultural dimensions has been supported by more recent research as well. Hofstede explains that cultures only evolve in a common direction, and do not deviate and differentiate greatly from each other. An aspect which has not been researched enough is how the change in culture, caused by the economic and political liberation of communist nations, has resulted in their placement on the systematic tables of Hofstede’s cultural dimensions.

Using Hofstede's methodology, Tsvetan Davidkov has made a sociological survey between the years of 2000 and 2002, finding Bulgarian organizational culture's positioning on the cultural dimensions' spectrums. Even Davidkov's study, presented in 2004, concentrates specifically on organizational culture it is directly comparable to Hofstede's study conducted on IBM employees, which was at the time with a similar purpose. As Hofstede (2011) explains his dimensions are constructed at a national level and are used to predict exactly national differences and not organizational or individual ones.

Even though Hofstede's IBM research has been replicated numerous times, Bulgaria as a small country has remained with old scores for the cultural dimensions. The following tables depict Bulgaria's positioning in the cultural indices based on Hofstede's original IBM database as well as the more recent study by Davidkov (2004). For simplicity, the tables presented in this work, include

**Table 2.4.1. Power Distance Index**

| Source          | Hofstede's IBM database | Davidkov's empiric survey 2000-2002 |
|-----------------|-------------------------|-------------------------------------|
| Nation          | Index                   | Proposed Index                      |
| Malaysia        | 104                     |                                     |
| Russia          | 93                      |                                     |
| Slovenia        | 71                      |                                     |
| <b>Bulgaria</b> | <b>70</b>               | <b>75</b>                           |
| USA             | 40                      |                                     |
| Finland         | 33                      |                                     |
| Austria         | 11                      |                                     |

Hofstede et al (2010), Davidkov (2004)

the top and bottom of the lists as well as large nations such as USA and Russia. (Hofstede et al, 2010)

Table 2.4.1 shows the power distance index and Bulgaria's positioning in it. Depicting in a sense the level of inequality, the power distance index places Asian and ex-soviet countries in the top (most inequality), the Western and Anglo-world in the bottom of the index, and the Nordic in the approximate medium. In this study, both Hofstede's and Davidkov's studies position Bulgaria along with the other ex-soviet countries in the top half of the index.

Using this data, Davidkov (2004) makes the following deductions on Bulgarian culture:

- Parents teach their children to obey, and children respect their parents highly.
- Authoritarian values are held by the population throughout social status.



- Centralization and hierarchy are common and preferred.
- Income differences are large, middle class is small.
- Subordinates expect to be commanded. Low level of initiative and responsibility seeking.
- Bosses are looked up to, considered superior by all.
- Status and rank symbols are common.

These patterns suggest that the culture in Bulgaria has evolved, especially from an economic point of view since the fall of the communist regime in 1990. Additionally slightly differing findings by Davidkov (2004) suggest that Bulgaria's power distance is further evolving towards a higher level of inequality, as the economic liberation has taken effect.

The Individualism index presented in table 2.4.2 positions Bulgaria in the bottom half of the spectrum. The traditional view, supported by Hofstede's studies is that the Western world, and mainly the Anglo world are highly individualistic, while Asian and Latin countries are mostly Collectivistic. Even though Davidkov's findings differ

**Table 2.4.2. Individualism Index**

| Source          | Hofstede's IBM database | Davidkov's empiric survey 2000-2002 |
|-----------------|-------------------------|-------------------------------------|
| Nation          | Index                   | Proposed Index                      |
| USA             | 91                      |                                     |
| Finland         | 68                      |                                     |
| Austria         | 55                      |                                     |
| Russia          | 39                      |                                     |
| <b>Bulgaria</b> | <b>30</b>               | <b>49</b>                           |
| Malaysia        | 26                      |                                     |
| Guatemala       | 6                       |                                     |

Hofstede et al (2010), Davidkov (2004)

significantly from Hofstede's IBM studies, he agrees that studies prove Bulgaria to be a country with a low level of individualism. As a support to this argument he explains how the large proportion of equality-aware poor population affects the general attitude towards collectivism. The low level of individualism, he continues, results into issues such as strong state participation in the national economics, low GDP, and even though laws are the same for all members of society the rich deal better with legal issues.

On the masculinity index (Table 2.4.3.)

Bulgaria is once again positioned in the bottom half, presenting the nation having a feminine behavior. This results into issues such as sympathy for the weak, concern with equality rather than just compensations, importance of relationships over possessions, *work in order to live* rather than *live in order to work*, etc. Nevertheless Davidkov recognizes that material success is an

**Table 2.4.3. Masculinity Index**

| Source          | Hofstede's IBM database | Davidkov's empiric survey 2000-2002 |
|-----------------|-------------------------|-------------------------------------|
| Nation          | Index                   | Proposed Index                      |
| Slovakia        | 110                     |                                     |
| Japan           | 95                      |                                     |
| USA             | 62                      |                                     |
| <b>Bulgaria</b> | <b>40</b>               | <b>50</b>                           |
| Russia          | 36                      |                                     |
| Finland         | 26                      |                                     |
| Sweden          | 5                       |                                     |

Hofstede et al (2010), Davidkov (2004)

increasing importance for many in Bulgaria, additionally taking care of relationships is often delegated to the women. The evolvement towards a more masculine culture can also be seen in the difference in findings for both presented researches of 10 index points.

The threat of uncertainty and unknown situations depicted by the uncertainty avoidance index (Table 2.4.4) places Bulgaria with nations which strive to strong uncertainty avoidance. Davidkov explains that the index being a depiction of the nation as a whole doesn't take into account that for example entrepreneurs have significantly lower results.

**Table 2.4.4. Uncertainty Avoidance Index**

| Source          | Hofstede's IBM database | Davidkov's empiric survey 2000-2002 |
|-----------------|-------------------------|-------------------------------------|
| Nation          | Index                   | Proposed Index                      |
| Greece          | 112                     |                                     |
| Russia          | 95                      |                                     |
| <b>Bulgaria</b> | <b>85</b>               | <b>68</b>                           |
| Finland         | 59                      |                                     |
| USA             | 46                      |                                     |
| Sweden          | 29                      |                                     |
| Singapore       | 8                       |                                     |

Hofstede et al (2010), Davidkov (2004)

Nevertheless according to Davidkov (2004) the results suggest general attitudes in Bulgaria, including the following:

- Fear of taking risks is common among the population.

- What is different is also dangerous.
- Precision and punctuality are natural.
- Resistance to innovation and new thoughts, belief in a single truth (Ex. Media)
- Motivation by security.

By observing the difference in Davidkov's findings compared to Hofstede's original ones, we can see a significant decrease in uncertainty avoidance, as in people are increasingly more willing to take risks and see them more as opportunities rather than challenges. When observing the entire index, one can notice mixed regional results, suggesting that uncertainty avoidance is low in countries where economic freedom exists and entrepreneurship is encouraged for instance Singapore. Similarly the existence of a public 'safety net' for risk taking seems to have an effect on the index, as Nordic countries are positioned quite low as well. Russia for instance, is positioned quite high, it may be speculated that this is because even though the nation is economically liberal, the market is very turbulent, government control is high, but social security and safety does not exist.

In his studies, Davidkov (2004) only examines Hofstede's four primary cultural dimensions. Therefore the long-term orientation index does not participate in his research. Nevertheless, the index presents some interesting findings. Traditionally Asian countries are known for maintaining a high long-term orientation, while in contrast western

**Table 2.4.5. Long-term Orientation Index**

| Source      | Hofstede's IBM database |
|-------------|-------------------------|
| Nation      | Index                   |
| South Korea | 100                     |
| Russia      | 81                      |
| Bulgaria    | 69                      |
| Finland     | 38                      |
| USA         | 26                      |
| Ghana       | 4                       |
| Puerto Rico | 0                       |

Hofstede et al (2010)

nations are positioned lower. Latin and African countries dominate the short-term orientation, but interestingly East-European countries, along with Bulgaria maintain positions in the upper half of the index suggesting they are more long-term oriented. Perhaps this can be explained by the lack of social security, which creates a demand for

saving and planning for the future. On the other hand countries with high levels of poverty, seen on the bottom of the index, where mere surviving is often a challenge, short-term goals are predominant.

## 2.5 Summary of the Literature

When combined, the literature in this work gives a holistic view on the perception of quality and understanding of quality. Ophuis' and Van Trijp's (1995) works let us understand how the perception of quality is affected by not only the way a product tastes or looks, but also the attributes of the person and the surroundings. Zeithaml's work on the other hand takes a closer look at the different cues that consumers get from perceiving a certain product.

Hofstede's theory on cultural dimensions is crucial for understanding the cultural attributes that make us different and for this research an important tool for understanding the Bulgarian consumer's behaviour. The research by Fuller and his colleagues (2000), takes a look at how culture has shown to determine service quality perceptions, their findings are a support to the relevance of this study as well.

Juan Meng's studies concentrate on price perception. Her research shows how Hofstede's previously mentioned cultural dimensions correlate with a variety of price perception factors. As mentioned by the presented quality perception theory, price is an important extrinsic attribute of a product and thus important for the opinions that consumers generate about certain products, and thus relevant for this research.

The theoretical part of this work is completed by presenting the cultural environment in Bulgaria through previous research on Hofstede's cultural dimensions and how the nation fits into their indices. These findings, accompanied by the theory on quality and price perception, should give a clear direction in which the Bulgarian consumer behaves in the market.

## **2. Research Method**

The aim of the research is to discuss the comparisons and contrasts between the empirical findings and the combined literature on quality and price perception. The discussion will take into account the suggestions that previous research on Hofstede's cultural dimensions deduce about the Bulgarian consumer's behavior in the market.

The empirical section of this work is conducted as a case-study on a particular market in a specific national context. The market studied is imported, high-quality, and high-priced, 'luxury' Nordic baby foods in Bulgarian metropolitan areas.

The market is interesting for this study for several reasons. Firstly, imported baby foods can be considered luxury good in Bulgaria, where the average national income per capita is currently around 400€, a baby's imported meal of at least 2,5€ cannot be considered as anything else. Secondly, the market is unique in the longevity of customer relationships. Even though adults pay for the food, it is consumed by the babies. In practice this means that a customer relationship, per child, does not continue for over 3,5 years, which puts pressure on making the impression in the very beginning, even before purchase.

The empirical source of qualitative data will be the sole importer, retailer and wholesaler of Semper AB baby foods, Martis BG Ltd who will be introduced in the next section. What makes it a suitable research target is that even though they have approximately 15% of the imported baby foods market share, they are a small family owned company and not just a branch of a multinational corporation. Additionally they are present in all parts of the supply chain and have a personal contact with the final consumer.

The method for data collection is primarily through semi-structured interviews with the founders and current owners of Martis Bg Ltd, Ivan Sabev and Krasimira Sabeva. The interviews took place on 06<sup>th</sup> September 2012, in Sofia, Bulgaria.

### **3.1 Martis BG Ltd and the Bulgarian Imported Baby Food Market**

Martis BG Ltd has a long experience of almost 20 years with baby foods and other baby focused products in the Bulgarian market. They opened their first baby products oriented retailer outlet in 1993, two years after the communist party gave up power, providing consumers with some of the first imported products from the field. Their first experience with Nordic baby foods is in that same year as a reseller of Finnish baby food brand, Piltti. Following the acquisition of the Finnish manufacturer by Nestlé S.A., a Swiss multinational, the Piltti brand vanished from export markets.

Nevertheless, the strong demand for high-quality Nordic products was reason enough to start importing other brands from the same region. In 1998 Martis BG began importing Swedish Semper AB baby foods and continues to do so up until today.

The imported baby foods market in Bulgaria is dominated by several large international brands: Heinz (USA), Hipp (Germany), Nestlé (Switzerland), Semper(Sweden). When asked about the current market share, Mr.Sabev replied approximately 15% of imported baby foods; he considered locally produced brands entirely another market and did not find them relevant. Nonetheless the recent economic situation in Europe, has reduced their revenues by over 20% for the past two years, a large portion of customers have either returned to making food for their babies by themselves or in fact to the locally produced, substantially cheaper products. Still, he responds that when one tries to differentiate himself from other brands as having a better quality product, competitors competing only by price should not be considered.

As previously mentioned Martis Bg, is a small player in a market dominated by large multinational brands backed by enormous organizations and thus budgets. In the turn of the century HiPP entered the market aggressively with wide advertisement campaigns, selling their products under margin, and providing 3-4 month payment times for resellers. Additionally they are the only brand of baby foods who managed to enter the market with their entire product range. Mr.Sabev, continues to explain how supermarkets in Bulgaria never allow that much shelf space unless they are monetary incentivized to do so. All in all the market is very aggressive and the only way to

compete against the large organizational masses is with a lot of resources or then a substantially superior product.

### **3. Empirical Findings and Discussion**

#### **4.1 Semper as a Brand**

The first issues covered with Mr. and Mrs. Sabev was the brand of Semper baby foods. As Semper is a rather smaller exporter globally, they have not granted a lot of support for activities in small markets such as Bulgaria. Varying on a yearly basis marketing costs vary between 2% to 7% of total yearly revenue, out of which most of the costs come from the importer's margins. Therefore, with a comparatively inexistent advertisement budget, the most important marketing tool for Semper in Bulgaria has been its brand and other similar extrinsic cues. 15 years on that market has given them the image they have today.

According to the interviewees, the brand of Semper equals uncompromised quality. They continue that it symbolizes a Swedish level of accuracy and constant in quality. Every time a client opens a Semper food bottle it will look, smell and taste the same as the previous time, an attribute which is inexistent for local producers.

Initially for a rapidly growing market, Semper products had been introduced as high quality 'EU' products, to be differentiated from the local competitors. However as of late, especially due to the constant expansion of EU into the east, they have promoted the Semper brand as Nordic quality.

When asked about how Semper's brand compares to the competition, the Sabevs exhaled and asked me where they should begin from. Their responses focused mainly on the region of origin as a brand attribute. First of all Semper cannot be compared to the local production at all. The prices are twice as high but the quality is on a totally



different level. In a market where only several large imported brands exist, the images that consumers get from brands differ greatly. Some may prefer Nordic products due to the image that they have of Sweden's purity, others may feel that Germany has a longer tradition of industry and thus portrays a better image. A simple reason such as a relative who is happily living in the USA may be reason enough to buy Heinz products. This is compatible with findings of Ittersum and his colleagues (2003), where an effective match between region of origin and the specific product may bring benefits to image. Additionally, their research explains how it may be used as a powerful tool instead of costly brand creation. This has clearly been used in the case of Semper, where the marketing budget is very low. The simple notion of a Nordic product is enough to portray a certain image, without the need of other extrinsic cues through advertising.

However, most of the discussion when discussing brand differences focused on one of the brands, HiPP. As they have been the most aggressive to enter the market with the largest advertisement campaigns, most shelf space and comparatively low prices, they had succeeded well in gathering market share. In comparison to Zeithaml's (1988) findings, large advertisement campaigns express extrinsic cues of confidence in the quality of the product. Additionally HiPP are the only brand in Bulgaria which advertises their products as 100% organic, another strong extrinsic cue. This has been a big boost for the competitor's brand, as these kinds of values have also started to become part of the Bulgarian consumer's demands. Mr. Sabev continues that he does not believe that the products are organic in any way: they are imported from Hungary, where there is no control on such proclamations. Nevertheless as HiPP are available in almost all supermarkets in Bulgaria, they are a convenient, and as the interviewee explains, clients who have tried both and continued to purchase Semper products know that the competition's level of quality is relatively low. Research by Ittersum et al. (2003) supports the argument of convenience with their proposed concept of *place* where the surroundings affect the choice of product. Where a certain product is more conveniently available, it would be the choice with more value. As Zeithaml (1988) explains, price is not the only cost that consumers give up, but also time, and effort of searching.

In 2006, Semper was purchased by Hero Group from Switzerland, who also has their own baby foods brand Hero. Mr. Sabev explains that even though both brands are now under one roof, Hero has tried to introduce its original products in the Bulgarian market multiple times with extensive marketing campaigns, but with no success. He explains this with a very simple reasoning: Hero baby foods are produced in Turkey and Spain and that just does not appeal to the Bulgarian consumer. This further supports the theory on effective matchmaking between region of origin and the specific product.

## 4.2 Customers' Perception of Quality

According to the interviewees the perception of quality is closely intertwined with the image of the brand: superior Nordic quality. Ultimately after the initial experience of the products, the most common reasoning by customers to come back for the rebuy is that the child has enjoyed the food. The physical attributes of the quality of the product are rarely the main reason for purchases, if the children like the food, the parents are happy. They trust that the origin of the product guarantees a level of quality in form of a healthy and safe meal for the child. Mrs. Sabeva continues that she does not recall a customer ever complaining about the quality of the products. These findings support previous theory (Zeithaml, 1988) which suggests that where intrinsic cues are not available, extrinsic ones are used. However when intrinsic cues become available, they ultimately have the outweighing effect on repeat purchase decisions.

Before Bulgaria's entrance into EU, baby foods had also been actively sold in pharmacies. So there has been a strong relationship between the medical sector and the baby food market. Many customers have deduced the quality of products through doctors' recommendations, this is supported by the high uncertainty avoidance in Bulgaria which results in the belief of 'single truths', in this case from the doctors. The interviewees continue that once a client has tried the Semper products they usually return to purchase more, as children enjoy the tastes greatly, assuming of course that they can afford it. One of the reasons presented for this, is that because Semper's production is so exact and consistent, they have taken the opportunity to use small portions of salt in their foods, which make them taste considerably better than the competitors', thus improving the intrinsic cues through improved taste. This also correlates with the cultural dimensions discovered in the previous literature, as Bulgaria is a nation with high uncertainty avoidance, difference and innovation is considered scary, ultimately resulting in strong brand loyalty following initial purchases.

Semper has a separate, targeted and positioned group of products focused on Eastern-Europe, mainly for the Russian market, which contain slightly higher shares of salt for the local tastes. Whereas other imported products are standardized and thus often

considered tasteless. Additionally Semper has a large variety of baby foods which do not exist in the competitors selection, for instance jars with salmon, which is one of the bestselling products.

As the conversation advances to the visual perception of the products, Mr.Sabev explains how for the first decade of cooperation, Semper's products' appearance had been rather unappealing, and surely had at least a small effect on initial purchases. More recently this has been improved. He continues that visuals are very important for these kinds of products. The food needs to look like food, different meals should look different. Semper's products, he explains, differ from the competition in their size: the amounts of food per jar vary greatly depending on the age of child that they are meant for. Additionally the cut of the food differs between age categories, finer for the younger and larger cut for the older ones. These are characteristics that customers pay attention to. A rather negative visual cue that he mentions has been evident in some lower quality imported food competitors is the evidence of water. As the foods stand on the shelf for a period of time, the thicker mass falls to the bottom and the water flows to the top. This, as he says, is usually a no-buy situation.

### 4.3 Price

As previously mentioned, Semper's products are over twice as expensive from the locally produced ones, and approximately the same as the other imported ones, varying of course by product. As explained the price ranges for these products automatically infer to the clients what level of quality they are: The cheapest ones are locally produced, the mid-ranged are produced in the neighboring regions such as Turkey and Greece, and the top range are imports from the Western World. This corresponds with Zeithaml's (1988) findings that price in fact signals a level of quality.

Due to the current economic situation in Europe, Martis BG hasn't changed the retail prices for Semper products, despite the fact that production costs have increased by over 5%. They explain that a rise in prices would have devastating results on revenues. Nevertheless, they explain that most of their customers come from wealthy backgrounds, people with considerable higher wages than the national average.

Mrs. Sabeva who meets customers on a daily basis explains that approximately 2-3% of them do not pay attention to the price of products at all. Out of the rest, half weigh the price and quality, while the rest focus solely on price. She mentions that during her experience in the market, there has been a clear increase in value consciousness. In the mid 90's a very small portion of the Bulgarian population could afford imported baby foods, and all purchases were considered high quality without putting anymore thought into it. As Meng (2011) explains collectivistic cultures aim at achieving the best total value, in other words the costs versus the gains, while individualistic nations may aim at more personal needs such as monetary gains. Bulgaria as a nation with collectivistic attitudes thus follows this theory.

Many of Mrs. Sabeva's customers have mentioned that they'd rather spend less money on themselves, as long as their child receives a quality meal, also correlating with the cultural assumptions of importance of family values which can be deduced from Bulgaria's collectivist and feminine national culture.

Additionally, as a long-term oriented nation investing into the future health of offspring also appears like a logical empirical finding. Even though Meng (2011) mentions that long-term oriented nations tend to weigh the costs and gains of purchasing decisions, because of which careful pricing is important for non-durable goods, it can be suggested that the health of children may outweigh these norms. More recently, customers have become noticeably more active, and interested in comparing the overall value of the various products in the market. The majority of customers, who pay attention solely on price however, eventually tend to end up buying locally produced foods.

The aggressively competitive market in Bulgaria has resulted in a negative side-effect which is uncommon in the Nordics: Most of the risks concerning food shelf life falls upon the importer. If for some reason supermarkets expect that food products will not be sold by the end of their shelf life, the common practice in Bulgaria is to send them back to the importer. This sometimes results in large quantities of unsold merchandise which has only a short shelf life left. In practice this means that discount sales on baby foods are seen monthly. Mrs. Sabeva explains that even with a small discount of 15% the products sell out ridiculously fast. This once again goes hand in hand with Meng's (2011) findings that collectivistic cultures, due to their high value consciousness, actively take advantage of sales and other sources of decreased costs.

The findings of Juan Meng's (2011) research regarding uncertainty avoidance were also evident to some extent. According to her study, especially for initial purchases, when the quality of a product cannot be examine beforehand, in cultures with high uncertainty avoidance, such as in this case in Bulgaria, consumers put extra importance onto price as an extrinsic cue for quality, with the purpose to reduce their perceived risk in buying an inferior product. The interviewees reported that often, new customers in the market, ie. new parents, regardless of their economic status, initially aim their focus on the top end of the price range. Unfortunately, they cannot always afford these products. Meng's (2011) findings on the relationship between uncertainty avoidance and brand (*prestige sensitivity*) however did not correlate with the findings. Brands were found to act as similar messaging tools as price.

## **5. Conclusions**

### **5.1 Main Findings and Implications**

The main findings of this research focus on how previous marketing literature is relevant and accurate for turbulent markets like the one in Bulgarian. Theories on quality and price perception have shown correlation with the empirical findings. Additionally evidence on behaviors defined by the positioning along the culture dimensions is present.

One of the main findings, which may be found important by participants in the Bulgarian market is that even without significant marketing efforts, extrinsic cues such as region of origin may improve quality perception when correctly matched. This is especially important for small and medium sized organizations which do not possess large marketing budgets.

The Bulgarian consumer is clearly shown as increasingly aware of the total value when making purchasing decisions. Customers continuously demand more information, better service and convenience, as they come accustomed to the western way of competitive markets and general way of doing business. In short, the transitional Bulgarian economy continues its changing process, and it is difficult to anticipate what the final point will be. A very common mistake when entering the Bulgarian market has shown to be the underestimation of the Bulgarian consumer. Large multinational companies have attempted to import low quality products expecting them to gain market share by pure price competitiveness. Many have been disappointed, most have given up on the market entirely.

Even though the covered marketing theory is evident in the empirical research, an unfortunate issue is also apparent: the culture motivates a nation in general into a certain purchasing behavior, however the power of economics is overwhelming. If people do not have the resources, they cannot do what they ultimately desire. As Hofstede's cultural dimensions explain, in a nation with high power distance, as Bulgaria, income differences are vast. In the examined market this is in fact the case. Middle class in

Bulgaria is almost inexistent, and thus the way of doing business is fundamentally different from the Western world.

## **5.2 Limitations of Study and Suggestions for Further Research**

The research of this work is limited to qualitative observations, which makes the findings somewhat subjective. A quantitative analysis may bring more understanding on the outstanding issues. Additionally previous studies on the applications of culturally motivated behavior have focused on the far ends of the spectrums, mainly between Asian cultures and Western Anglo cultures like the USA. When studying these issues for a nation which does not situate in either extreme, the findings may not be as definitive. This is also why doing this kind of research is important, to see the relevance of previous studies and if they apply to all cultures.

Additionally Hofstede's cultural dimensions are said to be accurate, cannot be outdated, and only evolve as a general direction without crossing paths between nations. Nevertheless, found literature by Davidkov 2004 as well as the empirical findings suggest otherwise: that transitional economies change not only in the economic sense but also in the cultural. This may be an important target for further research to grasp a better outlook on the relevance of systematic cultural analysis.



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